# HEALTH QUALITY COUNCIL

## FINANCIAL STATEMENTS

## For the Year Ended March 31, 2014

PROVINCIAL AUDITOR
*of Saskatchewan*

## INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Health Quality Council, which comprise the statement of financial position as at March 31, 2014, and the statement of operations, change in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of Health Quality Council as at March 31, 2014, and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 9, 2014

Judy Ferguson, FCA
Acting Provincial Auditor

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Statement 1

## HEALTH QUALITY COUNCIL
## STATEMENT OF FINANCIAL POSITION
(thousands of dollars)

| As at March 31 | 2014 | 2013 |
|---|---|---|
| **Financial assets** | | |
| Cash | $ 404 | $ 6,896 |
| Accounts receivable | 255 | 500 |
| Accrued interest receivable | 66 | 4 |
| Short-term investments (Note 3) | 6,828 | 2,000 |
| | 7,553 | 9,400 |
| **Liabilities** | | |
| Accounts payable | 179 | 337 |
| Payroll liabilities | 295 | 239 |
| Deferred revenues (Note 5) | 10 | 175 |
| | 484 | 751 |
| **Net financial assets** | 7,069 | 8,649 |
| **Non-financial assets** | | |
| Tangible capital assets (Note 2c & Note 4) | 90 | 134 |
| Prepaid expenses and deposits | 116 | 75 |
| | 206 | 209 |
| **Accumulated surplus** | $ 7,275 | $ 8,858 |

Contractual commitments (Note 10)

(See accompanying notes to the financial statements)

# HEALTH QUALITY COUNCIL
## STATEMENT OF OPERATIONS
(thousands of dollars)

| For the year ended March 31 | 2014 | | 2013 |
|---|---|---|---|
| | Budget (Note 8) | Actual | Actual |
| Revenue | | | |
| Saskatchewan Health | | | |
| - Operating Grant | $ 4,871 | $ 4,871 | $ 4,871 |
| - Accelerating Excellence | - | - | 1 |
| - Provincial Emergency Department Waits and Patient Flow Initiative | 267 | - | 2,000 |
| - Saskatchewan Surgical Initiative Appropriateness Project | - | - | 289 |
| University of Saskatchewan | | | |
| - U of S - CIHR | 42 | 29 | 124 |
| - U of S - SHRF | - | - | 47 |
| - U of S - Other | - | - | 15 |
| - Drug Safety & Effectiveness Network | 161 | 192 | 195 |
| - Saskatchewan Drug Utilization & Outcome Research Team | 67 | 66 | 143 |
| - Academic Detailing Evaluation Partnership Team | 23 | 22 | 5 |
| - Health Services Use Among Individuals with Dementia | 5 | 5 | 5 |
| - Quality of Care Gaps for Rheumatic Disease | - | 6 | - |
| Saskatchewan Medical Assoc. | - | 200 | 200 |
| Quality Summit | 240 | 260 | - |
| Saskatoon Health Region | 132 | 65 | 64 |
| Prince Albert Parkland Health Region | 91 | 87 | - |
| Other | 32 | 54 | 150 |
| Interest | - | 117 | 71 |
| | 5,931 | 5,974 | 8,180 |
| Expenses | | | |
| Project funding | 1,950 | 1,931 | 1,854 |
| Grants | 160 | 69 | 37 |
| Wages and benefits | 4,832 | 4,688 | 4,998 |
| Travel | 267 | 225 | 182 |
| Administrative and operating expenses | 199 | 102 | 72 |
| Honoraria and expenses of the board | 107 | 82 | 78 |
| Amortization expense | 75 | 76 | 115 |
| Rent | 366 | 384 | 363 |
| | 7,956 | 7,557 | 7,699 |
| Annual (deficit) surplus | $ (2,025) | (1,583) | 481 |
| Accumulated surplus, beginning of year | | 8,858 | 8,377 |
| **Accumulated surplus, end of year** | | $ 7,275 | $ 8,858 |

**(See accompanying notes to the financial statements)**

# HEALTH QUALITY COUNCIL
## STATEMENT OF CHANGE IN NET ASSETS
(thousands of dollars)

| For the year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Annual (deficit) surplus** | $ (1,583) | $ 481 |
| Acquisition of tangible capital assets | (32) | (131) |
| Amortization of tangible capital assets | 76 | 115 |
| | 44 | (16) |
| Acquisition of prepaid expense | (116) | (75) |
| Use of prepaid expense | 75 | 147 |
| | (41) | 72 |
| **(Decrease) Increase in net financial assets** | (1,580) | 537 |
| Net financial assets, beginning of year | 8,649 | 8,112 |
| **Net financial assets, end of year** | $ 7,069 | $ 8,649 |

**(See accompanying notes to the financial statements)**

## HEALTH QUALITY COUNCIL
## STATEMENT OF CASH FLOWS
(thousands of dollars)

| For the year ended March 31 | 2014 | 2013 |
|---|---|---|
| **Operating transactions** | | |
| Annual (deficit) surplus | $ (1,583) | $ 481 |
| Non-cash items included in annual (deficit) surplus: | | |
| Amortization of tangible capital assets | 76 | 115 |
| Net change in non-cash working capital items: | | |
| Deferred revenue | (165) | 175 |
| Accrued interest receivable | (62) | (1) |
| Accounts receivable | 245 | (182) |
| Prepaid expenses | (41) | 72 |
| Accounts payable | (158) | (391) |
| Payroll liabilities | 56 | (8) |
| Cash provided by operating transactions | (1,632) | 261 |
| **Capital transactions** | | |
| Cash used to acquire tangible capital assets | (32) | (131) |
| Cash applied to capital transactions | (32) | (131) |
| **Investing Transactions** | | |
| Purchases of investments | (9,536) | (2,000) |
| Proceeds from disposal/redemption of investments | 4,708 | 999 |
| Cash used by investing transactions | (4,828) | (1,001) |
| **Decrease in cash and cash equivalents** | (6,492) | (871) |
| Cash and cash equivalents, beginning of year | 6,896 | 7,767 |
| **Cash and cash equivalents, end of year** | $ 404 | $ 6,896 |

# HEALTH QUALITY COUNCIL
# NOTES TO THE FINANCIAL STATEMENTS
# March 31, 2014

## 1. Establishment of the Council

The *Health Quality Council Act* was given royal assent July 10, 2002 and proclaimed on November 22, 2002. The Health Quality Council (HQC) measures and reports on quality of care in Saskatchewan, promotes continuous quality improvement, and engages its partners in building a better health system. HQC commenced operations on January 1, 2003.

## 2. Accounting Policies

Pursuant to standards established by the Public Sector Accountants Standards Board (PSAB) and published by Chartered Professional Accountants (CPA) Canada, HQC is classified as an other government organization. Accordingly, HQC uses Canadian generally accepted accounting principles applicable to public sector. The following accounting policies are considered significant.

a) Operations

For the operations of HQC, the primary revenue is contributions from the Saskatchewan Ministry of Health (Ministry of Health). Other sources of revenue include conference registrations, interest and miscellaneous revenue.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year which related expenses are incurred. Interest earned on restricted contributions accrues to the benefit of the restricted program.

Government transfers/grants are recognized in the period the transfer is authorized and any eligibility criteria is met.

b) Measurement Uncertainty

The preparation of financial statements in accordance with PSAB accounting standards requires HQC's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of commitments at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

c) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Purchases valued at $1,000 or greater are recorded as a capital asset. Leasehold improvements are amortized over the length of the original lease. The current lease has been

extended to December 31, 2019. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

| | |
|---|---|
| Office Furniture | 10 years |
| Office Equipment | 5 years |
| Computer Hardware | 3 years |
| Computer Software | 3 years |
| Leasehold Improvements | life of lease |

Normal maintenance and repairs are expensed as incurred.

## 3. Short-Term Investments

HQC held investments in the amount of $6,828,140 as described below at March 31, 2014. The current investments are short-term, held for a period of one year or less.

| | 2014 | |
|---|---|---|
| | Carrying Value (000's) | Interest Rate |
| Term Deposits | | |
| TD Canada Trust | $ 305 | 1.40% |
| TD Canada Trust | $ 500 | 1.55% |
| TD Canada Trust | $ 2,000 | 1.60% |
| TD Canada Trust | $ 1,500 | 1.60% |
| TD Canada Trust | $ 502 | 1.55% |
| TD Canada Trust | $ 303 | 1.53% |
| TD Canada Trust | $ 506 | 1.50% |
| TD Canada Trust | $ 506 | 1.50% |
| TD Canada Trust | $ 300 | 1.55% |
| TD Canada Trust | $ 406 | 1.40% |
| **Total Investment** | **$ 6,828** | |

## 4. Tangible Capital Assets

The recognition and measurement of tangible capital assets is based on their service potential.

| | Office Furniture & Equipment | Computer Hardware & Software | Leasehold Improvements | 2014 Totals | 2013 Totals |
|---|---|---|---|---|---|
| | (thousands of dollars) | | | | |
| Opening cost | $ 209 | $ 580 | $ 61 | $ 850 | $ 749 |
| Additions | 3 | 29 | - | 32 | 131 |
| Disposals | - | - | - | - | (30) |
| Closing cost | 212 | 609 | 61 | 882 | 850 |
| Opening accumulated amortization | 163 | 492 | 61 | 716 | 631 |
| Amortization | 15 | 61 | - | 76 | 115 |
| Disposals | - | - | - | - | (30) |
| Closing accumulated amortization | 178 | 553 | 61 | 792 | 716 |
| Net book value of tangible capital assets | $ 34 | $ 56 | $ - | $ 90 | $ 134 |

## 5. Deferred Revenues

| | Beginning balance | Amount received | Amount recognized | Ending balance |
|---|---|---|---|---|
| | | (thousands of dollars) | | |
| Saskatoon Health Region | 65 | - | 65 | - |
| Quality Summit | 110 | 10 | 110 | 10 |
| Totals | $ 175 | $ 10 | $ 175 | $ 10 |

### (a) Saskatoon Health Region

The Saskatoon Health Region provided funding to HQC for the implementation of performance reporting enhancements in the website, qualityinsight.ca to support, the Long Term Care home-specific operational and strategic reporting.

### (b) Quality Summit

HQC is hosting a Quality Summit in April 2014 and monies received by HQC for registrations in the 2013-2014 fiscal year, will be recognized as revenue in the 2014-2015 fiscal year.

## 6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, ministries, agencies, boards, and commissions related to HQC by virtue of common control by the Government of Saskatchewan, and non-crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Other transactions with related parties and amounts due to or from them are described separately in these financial statements and notes thereto.

Routine operating transactions with related parties are recorded at the agreed upon rates charged by those organizations and are settled on normal trade terms.

HQC pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

**Related Party Transactions (cont'd)**

| | 2014 | 2013 |
|---|---|---|
| | (thousands of dollars) | |
| **Revenue** | | |
| Capital Pension Plan | $ - | $ 14 |
| Ministry of Health | 4,871 | 7,182 |
| Regional Health Authorities | 192 | 149 |
| University of Saskatchewan | 319 | 535 |
| **Expenses** | | |
| Capital Pension Plan | 231 | 230 |
| Regional Health Authorities | 591 | 701 |
| Saskatchewan Health Research Foundation | 60 | 60 |
| Saskatchewan Opportunities Corporation (operating as Innovation Place) | 423 | 405 |
| Saskatchewan Workers' Compensation | 4 | 13 |
| SaskTel | 6 | 9 |
| University of Regina | 1 | 9 |
| University of Saskatchewan | 190 | 3 |
| Other | 7 | 1 |
| **Accounts Payable** | | |
| Capital Pension Plan | 23 | - |
| Regional Health Authorities | 43 | 155 |
| Saskatchewan Workers' Compensation | - | 3 |
| **Accounts Receivable** | | |
| Regional Health Authorities | 53 | 186 |
| University of Saskatchewan | 195 | 294 |

## 7. Financial Instruments

HQC has the following financial instruments: short-term investments, accounts receivable, accounts payable, and payroll liabilities. The following paragraphs disclose the significant aspects of these financial instruments. HQC has policies and procedures in place to mitigate the associated risk.

a) Significant terms and conditions

There are no significant terms and conditions associated with the financial instruments that may affect the amount, timing, and certainty of future cash flows.

b) Interest rate risk

HQC is exposed to interest rate risk when the value of its financial instruments fluctuates due to changes in market interest rates. HQC does not have any long-term investments that may be affected by market pressures. HQC's receivables and payables are non-interest bearing.

**Financial Instruments (cont'd)**

c) Credit risk

HQC is exposed to credit risk from potential non-payment of accounts receivable. Most of HQC's receivables are from provincial agencies and the federal government; therefore, the credit risk is minimal.

d) Fair value

For the following financial instruments, the carrying amounts approximate fair value due to their immediate or short-term nature:

Short-term Investments
Accounts receivable
Accounts payable
Payroll liabilities

## 8. Budget

These amounts represent the operating budget approved by the Board of Directors – February 28, 2013.

## 9. Pension Plan

HQC is a participating employer in the Capital Pension Plan, a defined contribution pension plan. Eligible employees make monthly contributions of 6.35% of gross salary, which are matched by HQC. HQC's obligation to the plan is limited to matching the employee's contribution. HQC's contributions for this fiscal year were $231,293 (2013 - $229,739).

## 10. Contractual Commitments

As of March 31, 2014, HQC had the following commitments:

a) Office Rent

HQC has a lease for office space with Saskatchewan Opportunities Corporation (operating as Innovation Place). The lease has been extended to December 31, 2019. The monthly cost is $16,808, for the period of January 1, 2014 to December 31, 2019.

**Contractual Commitments (cont'd)**

b) Saskatchewan Health Research Foundation (SHRF)

HQC has entered into an agreement with Saskatchewan Ministry of Health, University of Saskatchewan and Saskatchewan Health Research Foundation for grant administration. The agreement requires SHRF to administer funds on behalf of HQC. The agreement is effective from October 15, 2012 – October 14, 2017. The amount paid for grant administration in the current fiscal year is $60,000 (2013 - $27,742). The pricing schedule for the remaining time period is:

| Period | Grant Administration |
|---|---|
| April 1, 2014 – March 31, 2015 | $ 60,000 |
| April 1, 2015 – March 31, 2016 | $ 60,000 |
| April 1, 2016 – March 31, 2017 | $ 60,000 |
| April 1, 2017 – Oct 14, 2017 | $ 32,258 |